

# FY2023 2nd Quarter Progress of Business Strategy

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MINING THE FUTURE

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# I. Safety Initiatives

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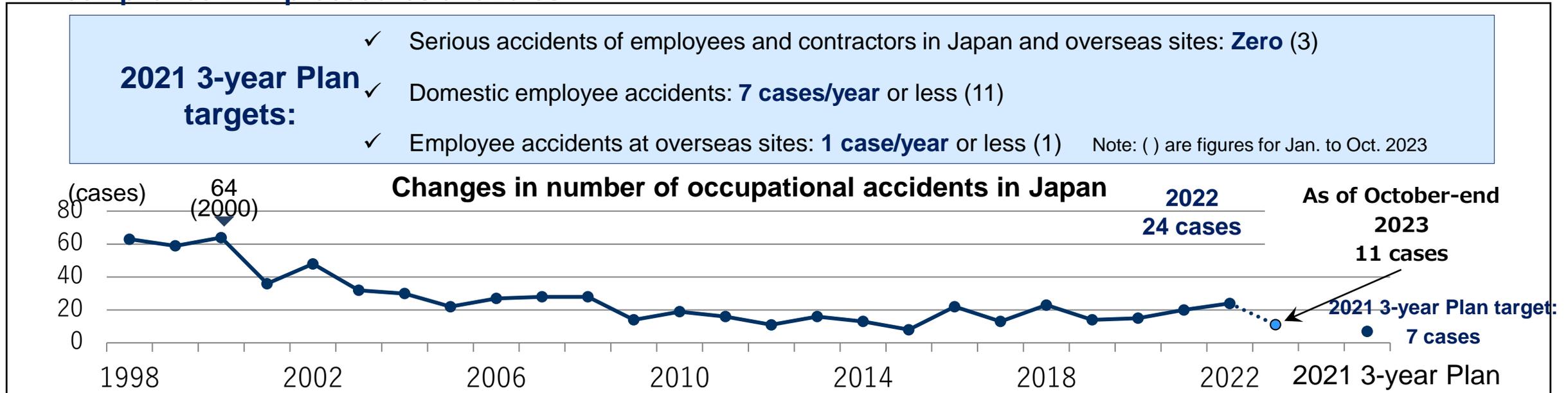
# 1. Safety Initiatives

## 《Domestic employee occupational accidents》

2021 3-year Plan Target: 7 cases or less ➔ 2022 actual: 24 cases

2023 (Jan.–Oct.): 11 cases

- Frequently recurring accidents\* (e.g., caught and heavy objects accidents) resulted in the number of accidents significantly exceeding the target.
- Serious accidents resulting in absence from work for more than 3 months: 3 cases (incl. contractors, 2022: 3 cases)
- **We will eradicate accidents caused by neglect of risks and human error by further improving the essential safety of facilities and management capabilities of supervisors as well as developing a foundation to promote compliance with procedures and rules**



\* Recurring accidents: Accidents that occurred multiple times in the previous 20 years within the SMM Group

## II. Environment Surrounding SMM

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# 1. Global Economy

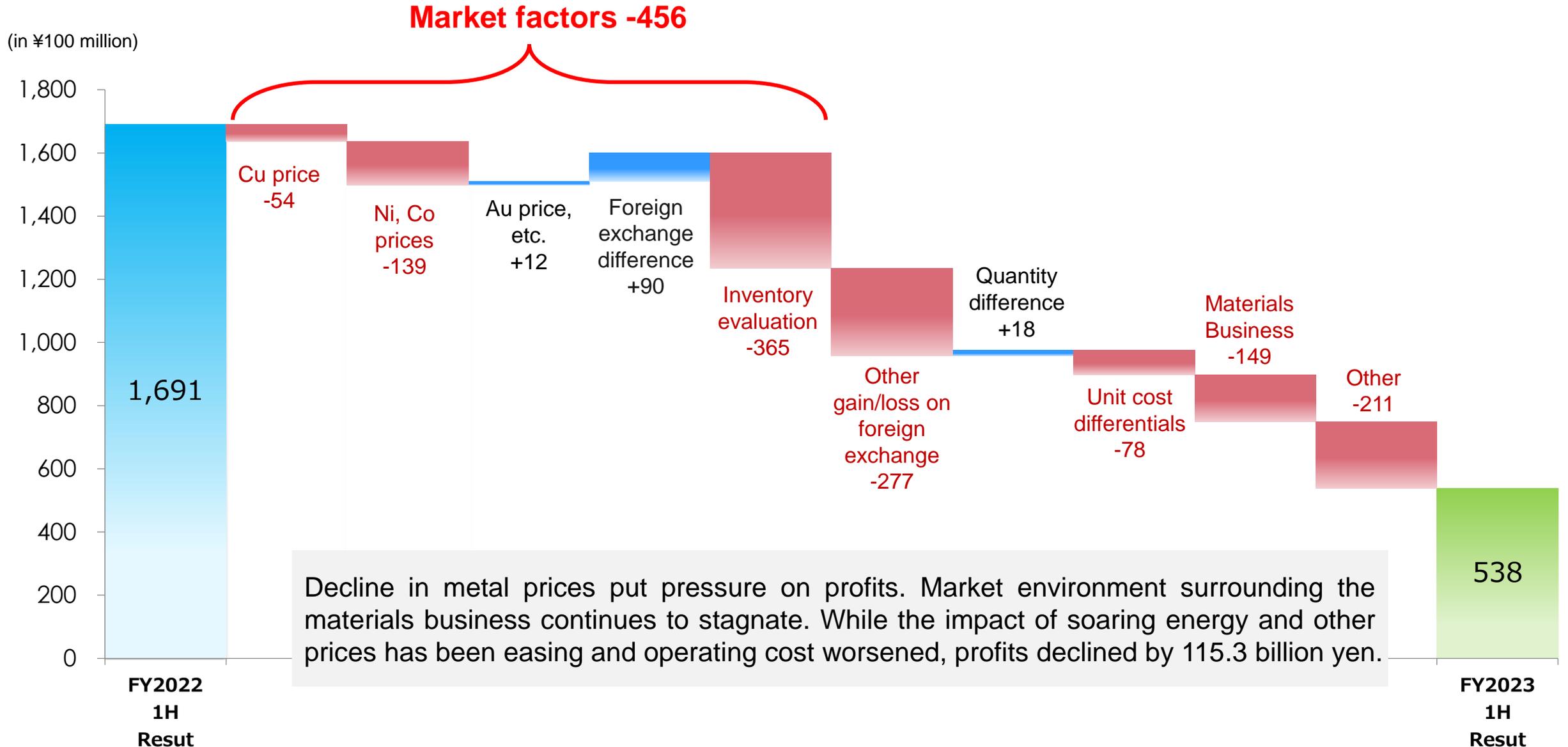
- ◆ Rising geopolitical risks (Ukraine, Middle East)
- ◆ Inflation remaining high and continued financial tightening
- ◆ Solid U.S., low growth in Japan and Europe, and China in adjustment phase
- ◆ Formation of economic blocs (fragmentation) continues unabated

**Rising concerns of slowdown in growth of global economy**

**IMF's forecast on global economic growth (April and October forecasts; arrows denote comparison with previous forecast)**

	2022	2023		2024	
	(Result)	(April)	(October)	(April)	(October)
Global	3.5%	2.8%	 3.0%	3.0%	 2.9%
U.S.	2.1%	1.6%	 2.1%	1.1%	 1.5%
Europe	3.3%	0.8%	 0.7%	1.4%	 1.2%
Japan	1.0%	1.3%	 2.0%	1.0%	 1.0%
China	3.0%	5.2%	 5.0%	4.5%	 4.2%

## 2. Profit before Tax Analysis (YoY, FY2023 1H Result vs. FY2022 1H Result)



# 3. Metal Supply and Demand Outlook

## 《Copper》 Supply demand will ease in the short term

- ◆ The supply-demand balance will ease temporarily during 2023 - 2025 due to opening and expansion of mines and smelting plants.
- ◆ Fundamentals are helping copper demand. (global spread of clean energy, EV shift, etc.)
- ◆ Supply to tighten in the latter half of 2020s as the number of new project decreases.

Cu	ICSG forecast (Oct. 2023)		
(kt)	2022 Result	2023 Forecast	2024 Forecast
Production	25,374	26,340	27,532
Usage	25,835	26,378	27,084
Balance	-461	-39	+448

## 《Nickel》 Supply demand will ease in the short term

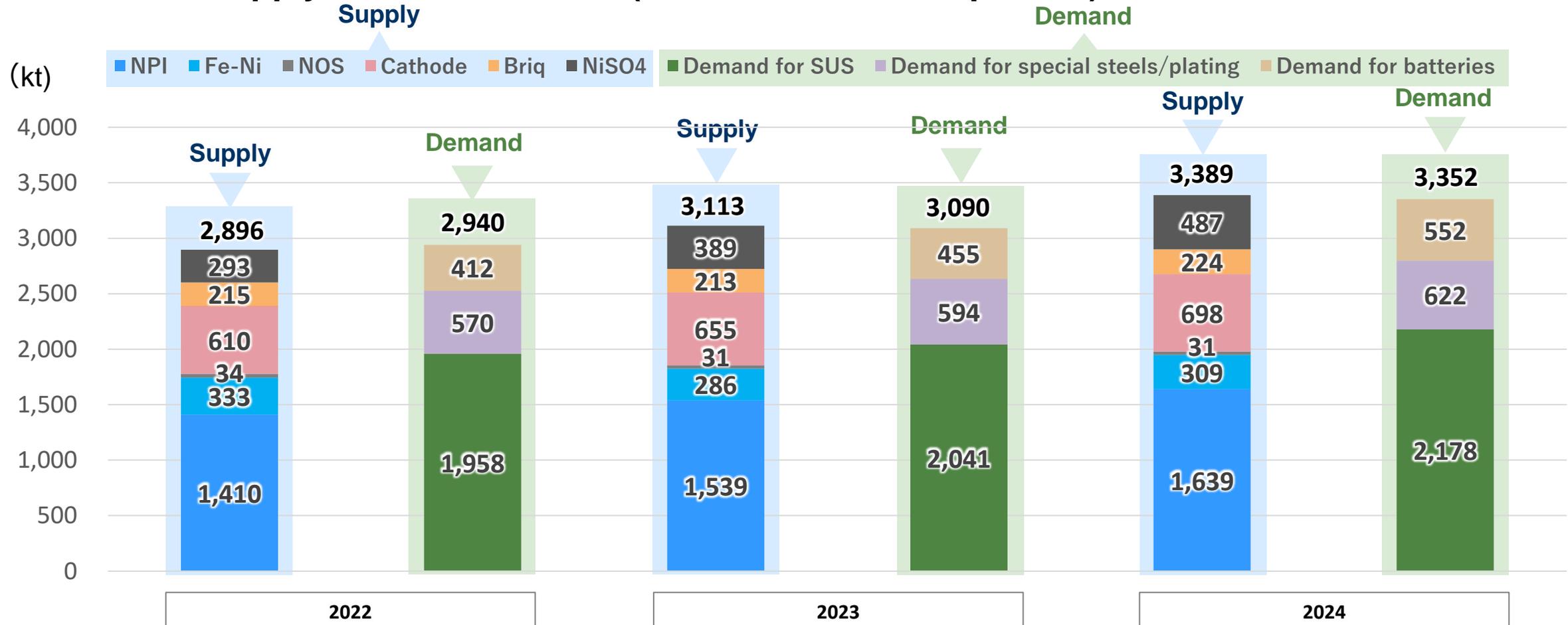
- ◆ NPI production is expected to continue increasing in Indonesia; in addition to an increase in production volume of Class I from intermediate products, Class I is also likely to increase in China.
- ◆ Demand is expected to remain growing, with demand for nickel-based lithium-ion batteries for EVs.

Ni	INSG forecast (Oct. 2023)		
(kt)	2022 Forecast	2023 Forecast	2024 Forecast
Production	3,060	3,417	3,713
Usage	2,957	3,195	3,474
Balance	+104	+223	+239

**Market will continue to grow as these metals are resources indispensable for decarbonization**

# 4. Nickel Business Environment: Supply-Demand Balance

Nickel Supply-Demand Balance (SMM estimate in Sep. 2023)



**Continue to monitor the direction of NPI production increase and the trends in China and Indonesia in cathode production.**

## 5. Metal Price Estimation for FY2023 2nd Half

《Copper》 \$8,500/t (2023/1H ave.: \$8,417/t Oct. 2023 ave.: \$7,940/t)

- ◆ While the strong US dollar and delay in recovery of demand in China are exerting downward pressure, the copper market is expected to remain firm on prospects of recovery in demand in China on the back of economic stimulation measures.

《Nickel》 \$8.50/lb (2023/1H ave.: \$9.69/lb Oct. 2023 ave.: \$8.28/lb)

- ◆ Supply-demand balance of nickel in 2023 is expected to be in over-supply due to the strong impact from the increased supply from nickel sources in Indonesia.
- ◆ Nickel market is also expected to remain firm on prospects of solid demand to a certain extent.

《Gold》 \$1,850/toz (2023/1H ave.: \$1,954/toz Oct. 2023 ave.: \$1,913/toz)

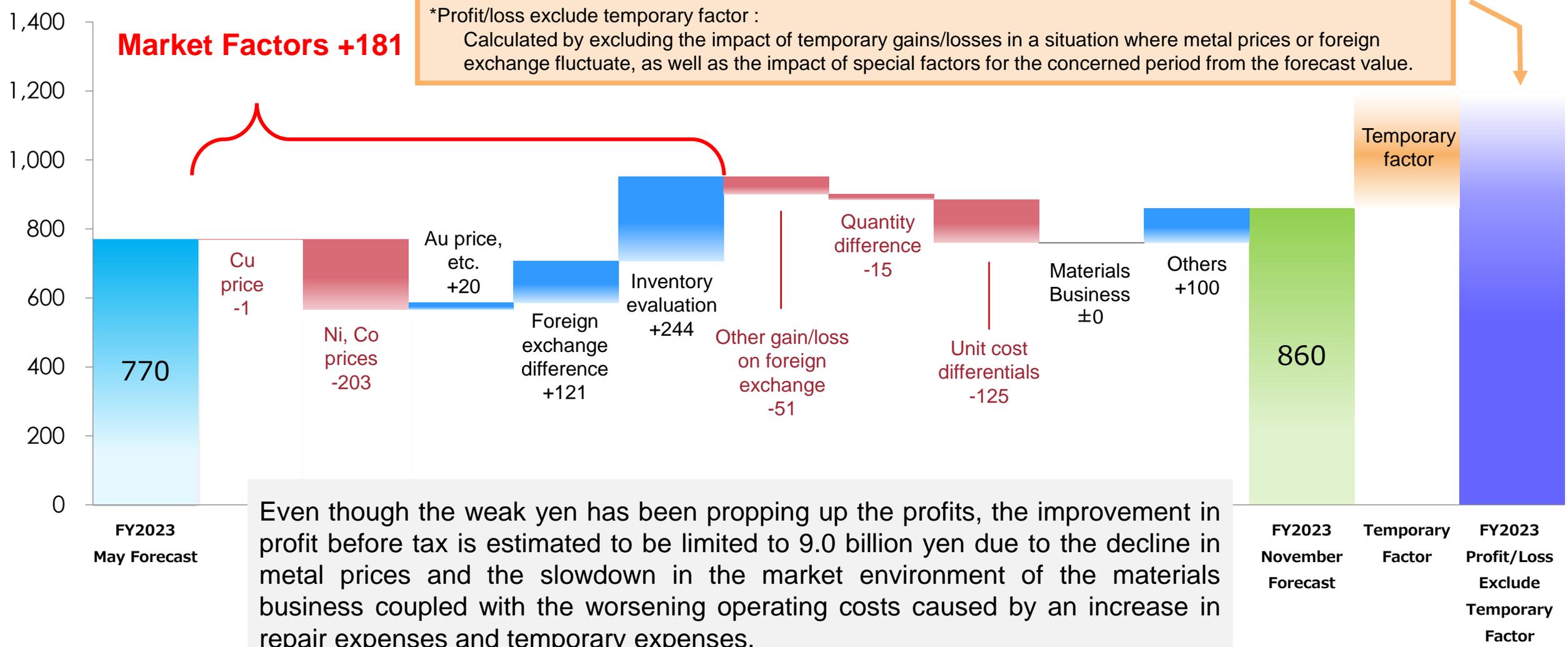
- ◆ The U.S. financial authorities' intention to control inflation has not changed, and we estimate gold price to weaken gradually due to concerns about interest rate hike.
- ◆ On the other hand, demand for gold, which is considered a safe asset, is expected to be firm reflecting concerns regarding rising geopolitical risks and economic slowdown.

# 6. Profit before Tax Analysis (FY2023 Nov. Forecast vs. May Forecast)

(in ¥100 million)

**[For Reference] Profit/Loss Exclude Temporary Factor \* : ¥120.0bn~¥110.0bn**

\*Profit/loss exclude temporary factor :  
 Calculated by excluding the impact of temporary gains/losses in a situation where metal prices or foreign exchange fluctuate, as well as the impact of special factors for the concerned period from the forecast value.



Even though the weak yen has been propping up the profits, the improvement in profit before tax is estimated to be limited to 9.0 billion yen due to the decline in metal prices and the slowdown in the market environment of the materials business coupled with the worsening operating costs caused by an increase in repair expenses and temporary expenses.

# 7. Dividends / Cash Flows & Financial Position

## Cash flows and financial position

- ◆ We will make record-high levels of capital investment in FY2023 is planned to execute the growth strategy.  
→FY2023 Nov. plan: 193.4 billion yen. Focus on harvesting the fruits from 2024 onwards.
- ◆ **We will continue to promote measures to improve capital efficiency** such as strengthening cost management and inventory management.  
→We will maintain and strengthening competitiveness with cost reduction and improvement in production efficiency.
- ◆ We will maintain financial standings that would enable us to make swift moves when a large-scale investment becomes necessary.  
→Equity attributable to owners of parent ratio (as of September-end 2023): 60.7%

## Dividends

- ◆ Shareholder return policy: Continue with the **policy to link it with financial results.**  
The consolidated payout ratio is **at least 35% (in principle)**
- ◆ We revised up the earnings forecast given the tailwind from the yen's depreciation.  
Net income attributable to owners of parent: 55.0 billion yen  
(**+2.0 billion yen** from the August forecast of 53.0 billion yen)  
→**Forecasting an annual dividend of 71 yen/share** based on the dividend policy  
Interim dividend of **35 yen/share**, and year-end dividend forecast of **36 yen/share**

## 8. Initiatives to Realize Management Conscious of Capital Cost and Share Price (1)

### Business characteristics and environment of non-ferrous metals

- Demand for non-ferrous metals (copper, nickel, etc.) is expected to grow steadily in the future.
- Prices of non-ferrous metals are decided on markets led by LME, and the profit and loss of the non-ferrous metal business is significantly influenced by the market environment.
- Non-ferrous metal assets wear out as companies mine, and it is necessary to replace them constantly.
- Global resource major companies are leading competitions for first-class assets.
- New development of resources is becoming more difficult due to factors such as the higher altitude of such sites and the necessity to mine deeper. Besides, the industry has been facing increasing operating materials and personnel costs in recent years.
- Under such circumstances, we are carefully considering participation in resource development projects from various angles and by spending sufficient time. Once the decision is taken to participate in one, it immediately necessitates expenditure on the scale of hundreds of billions of yen.
- It takes years to harvest the fruits of investment, and if we do not have the tenacity to withstand it, we will not be able to sustain the business, and neither would we be chosen as a partner candidate.

**Steady implementation of the growth strategy for achieving the long-term vision, while maintaining a solid financial base, will lead to improvement of corporate values in the medium to long term.**

## 8. Initiatives to Realize Management Conscious of Capital Cost and Share Price (2)

### Promotion of growth strategy, pursuit of efficient management

- ◆ Steady launch of large-scale projects (QB2, Côté, production increase of cathode materials)
- ◆ Steady implementation of 2021 3-year Plan (battery recycling, SiC, etc.)
- ◆ Pursuit of ROCE management (strengthening of investment return criteria, improvement of capital efficiency)
- ◆ Business portfolio with prospects for realizing long-term growth story

### Enhancing non-financial information disclosure, engagement with stakeholders

- ◆ Establishing the new personnel system, implementation of human resources management that bolsters the business
- ◆ Continued efforts to address sustainability topics
- ◆ Strengthening of information dissemination capability (explanation business characteristics such as profit/loss exclude temporary factor and long-term growth story)
- ◆ Leveraging feedback from engagement to improve corporate value

### Shareholder return policy

- ◆ While continuing with the policy to link it with financial results, consider introduction of well-balanced, stable dividends taking into account financial situation and view of investments for growth strategy, etc.

# 9. Promotion of ROCE Management

## Rebuilding the production structure to enable growth of materials business

### ◆ Battery materials

- Focus limited management resources on “Quality (Q) and Delivery (D)” in particular to respond to customer requirements in the rapidly growing market.

→ While we **acquired share** after winning a certain reputation in the market, **we put off improvements such as inventory management and production efficiency.**

### ◆ Advanced materials

- Narrow down to **product groups in which growth can be expected** through structural reforms reflecting the environmental changes.

→ However, customer requirements diversified along with the growth in the market, and competition also **intensified.**

- In addition to the Company’s current QCDS, it is necessary to have **additional values** (e.g., speed of response to customer needs, ability to make proposals, etc.) that would continuously be chosen by customers to achieve further growth.

- We are rebuilding the production system at important bases by introducing **Toyota Production System (TPS).**

# 10. Comparison of Financial Results and Forecast

(in ¥100 million)		FY2023 1H Result	FY2023 2H Forecast(Nov.)	FY2023 Forecast(Nov.) (A)	FY2023 Forecast(May) (B)	Change (A) – (B)
Net sales		7,171	7,129	14,300	13,660	+640
Gross profit		886	564	1,450	1,390	+60
Profit / loss before tax		538	322	860	770	+90
Equity method profit/loss		162	203	365	145	+220
Segment profit	Mineral Resources	315	275	590	620	-30
	Smelting & Refining	318	62	380	280	+100
	Materials	28	-68	-40	-40	±0
	Other	-3	-27	-30	-50	+20
	Diff. adjustment	-120	80	-40	-40	±0
Net income attributable to owners of parent		379	171	550	420	+130
Copper (USD/t)		8,417	8,500	8,459	8,500	-41
Nickel (USD/lb)		9.69	8.50	9.10	10.00	-0.90
Gold (USD/toz)		1,954	1,850	1,902	1,800	+102
Cobalt (USD/lb)		14.76	13.00	13.88	17.00	-3.12
Exchange (JPY/\$)		141.00	140.00	140.50	130.00	+10.50

# III. Sustainability-related Initiatives

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# 1. Material Issues for Realizing Vision for 2023

## SMM Group's material issues

We assessed issues from both social and business perspectives and identified issues with significant impact.

1	Effective Use of Non-Ferrous Metal Resources	7	Development and Participation of Human Resources
2	<u>Climate Change</u>	8	<u>Engagement with Stakeholders</u>
3	Significant Environmental Accidents	9	Co-Existence and Mutual Prosperity with Local Communities
4	Biodiversity	10	Rights of Indigenous Peoples
5	Employees' Occupational Health and Safety	11	<u>Human Rights in the Supply Chain</u>
6	Diverse Human Resources		

(Underline what explain today)

## 2. Sustainability-related Initiatives (1)

### 1) Engagement with stakeholders

- Published [Sustainability Report](#) in addition to Integrated Report
  - [Significantly increased the information we disclose](#) with matters including stakeholder demands, in accordance with the revised GRI standards, response to new ICMC benchmarks, and refer to European Sustainability Reporting Standards (ESRS).
- Results of engagement with investors (FY2022 results)
  - [Along with strengthening of information dissemination capability through IR and other activities, we will leverage the precious feedback gained through engagement in management and link it to improvement in corporate value.](#)
  - President and Representative Director, Chairman and Director, Outside Director, Executive Officer Account Settlement Briefing, small meetings with President, engagement with institutional investors in Japan and overseas (incl. those in charge of exercise of voting rights, ESG)
  - Executive Officer in charge of IR + Concerned and related divisions Account Settlement Briefing, engagement with institutional investors, analysts, etc. in Japan and overseas: approx. 190 times  
Additionally, we also held individual investor briefing, IR Day, business briefing, briefings at business bases, etc.

## 2. Sustainability-related Initiatives (2)

### 2) Human rights-related initiatives in supply chains

#### - The Sumitomo Metal Mining Group Policy on Human Rights

(Link: [Human Rights Policy](#))

#### - Responsible Mineral Sourcing Policy

→ Gold, silver: SMM has been renewing the LBMA RGG/RSG certification

Cobalt: Has been renewing RMI certification obtained in 2021

Nickel: Received third-party audits in February 2023, Obtained RMI certification

Copper: Received third-party audits in July 2023, Obtained RMI certification



### 3) Climate change-related initiatives

#### - A roadmap for net zero by 2050

→ The Carbon Neutral Promotion Committee formulates it in accordance with the ICMM commitment.

→ Plan to announce it within FY2023

#### - Concrete initiatives for reducing CO2 emissions in manufacturing process

→ We are utilizing SMM's ICP (internal carbon pricing) system to promote conversion to LNG, etc. as planned.

# IV. Progress in Implementing Key Strategies under 2021 3-Year Plan

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# 1. Four Challenges under 2021 3-year Plan

## Four challenges

### Challenge 1. Increasing corporate value - Promotion of large-scale projects

- Expanding production capacity for battery cathode materials
- Quebrada Blanca 2 project
- Côté gold mine development project

### Challenge 2. Improving core business sustainability

- 3-biz collaboration to strengthen the value chain for Ni-batteries
- Shifting Hishikari Mine to sustainability-oriented operation
- Enhancing competitiveness of copper-smelting business
- Strategy for advanced materials business expansion

### Challenge 3. Adapting to changes in the social environment

- Reducing greenhouse gas (GHG) emissions
- Promoting the development of products, technologies and processes that can help achieve carbon neutrality
- Adaptation to digital transformation (DX)
- Initiatives for securing, fostering and utilizing human capital

### Challenge 4. Strengthening the foundation of business management

- Strengthening safety initiatives
- Reorganizing and enhancing sustainability promotion framework
- Corporate governance

(Underline what explain today)

## 2. Quebrada Blanca 2 (QB2) Project (1)

### Ramping up facilities to achieve full-production of copper by the end of the year

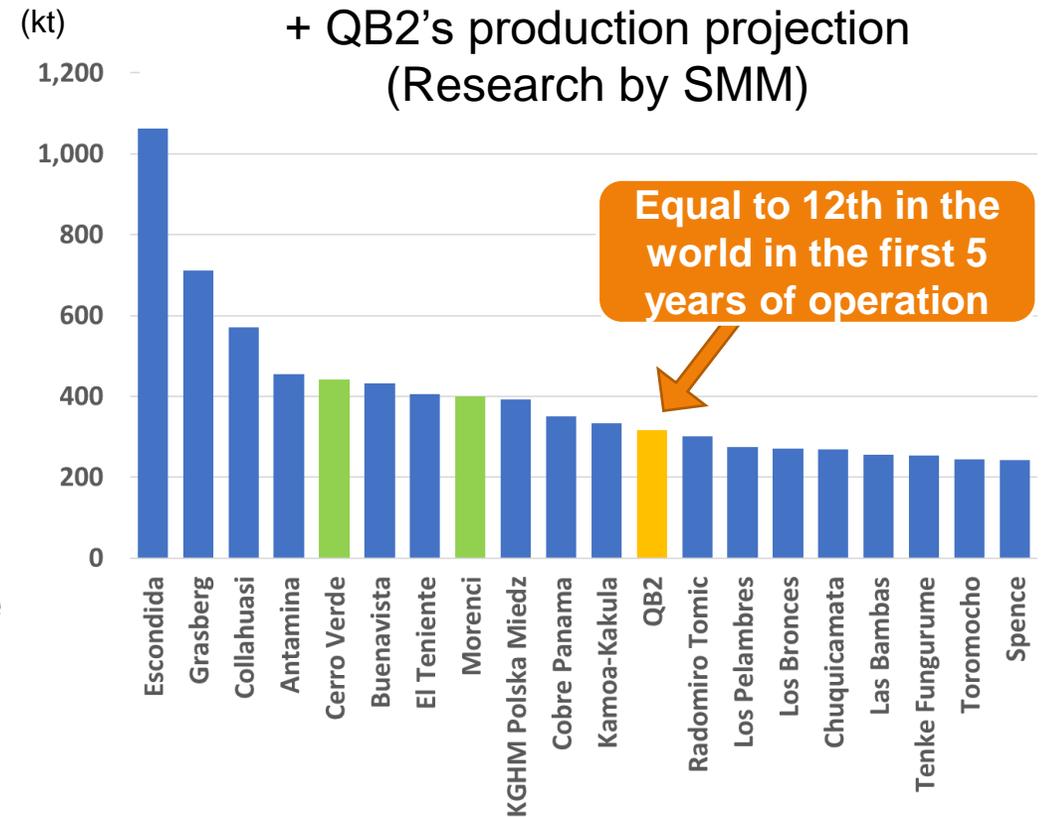
[QB2's competitive advantages]

- ◆ Low strip ratio and operating cost
- ◆ A large mineral deposit suggests a potential for the additional volume. QB is expected to operate for a long time with the expansion of production capacity under consideration.
- ◆ Teck, JV operator, has mining experience in Chile.

[Construction progress]

- ◆ Began producing and shipping bulk copper concentrate (Jun. 2023).
- ◆ Copper ore processing volume at the processing site reached 70% of the designed capacity (Sep. 2023).

2022 Top 20 producers by mines + QB2's production projection (Research by SMM)



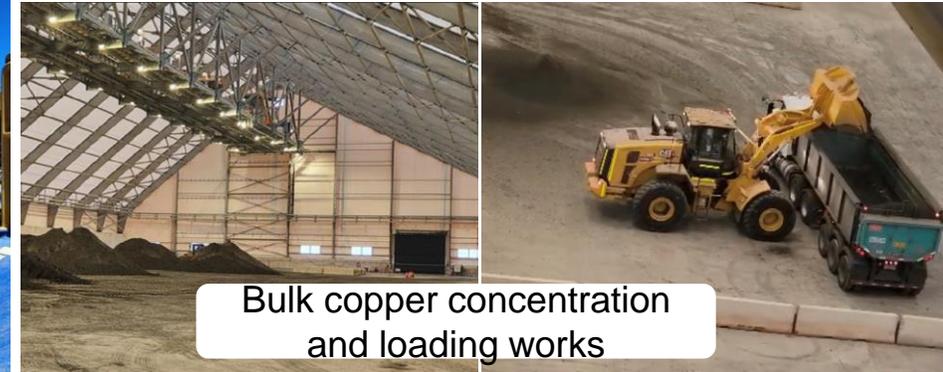
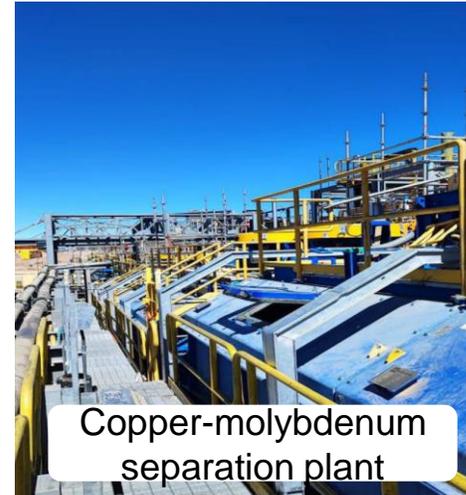
**Annual copper production is expected to be among the world's top ten producing 285,000-315,000 tons/year once reaching full-production**

## 2. Quebrada Blanca 2 (QB2) Project (2)

Opening ceremony held on site on October 26



## 2. Quebrada Blanca 2 (QB2) Project (3)



- ◆ Proceeding with construction and trial operation with Teck to finish the building of the copper-molybdenum separation plant and port offshore facilities currently underway

## 3. Côte Gold Project

### Construction work mostly progressing well

- Progress rate of construction works is **approx. 92%** (as of Sep. 30, 2023).  
A completion test began for some facilities.
- Autonomous trucks are smoothly operating. (10 driverless trucks are in operation.)
- Working together with IAMGOLD for the scheduled production commencement in the Jan-Mar quarter of 2024, taking actions such as assigning staff to higher priority facilities.



Entire view of the mining site

## 4. Nickel Business Strategy

### Secure nickel resources and enhance 3-business collaboration (nickel-batteries)

- ◆ Enhance the exploration of new nickel projects for the next period (medium- to long-term)
  - Accelerate project exploration at various stages, mainly in the Pacific Rim region, based on ore distribution.
  - Conducting examine of a few selected targets.
- ◆ Business development utilizing existing intermediate materials in circulation (short-term)
- ◆ Continue exploring and promoting measures to secure ores for CBNC and THPAL
  - Development of a new mining site that can supply ore to THPAL has begun.
- ◆ Commercialize the battery recycling business
  - Step up the designing of facilities projected to process 10,000 tons of used LiB a year.
  - Cathode materials using SMM's recycled nickel-cobalt passed a pilot test conducted by a user company, Primearth EV Energy Co. Ltd.  
(See SMM's press release dated June 22, 2023: Japanese only)



# 5. Smelting & Refining Business Topics

## Initiatives to offer low-carbon products

### ◆ SMM Green Metal concept

- Given the anticipated growth in the needs for low-carbon products, SMM is considering to offer its electrolytic copper using the mass-balance method.
- Aim to complete certification work by a third-party organization by the end of FY2023.
- After completing the certification work, we plan to roll out the method to electrolytic nickel.

### ◆ Fuel switch to reduce GHG emissions

- Nickel Refinery: Completed a fuel switch for boilers (heavy oil→LNG)
- Toyo Smelter & Refinery: Began a fuel switch work during a large scheduled shutdown currently implemented (heavy oil→LNG)
- CNBC: Testing co-firing of coal and biomass for boilers

# 6. Progress in Strengthening Battery Materials (1)

## Expand battery (cathode) materials production capacity

- ◆ Raise production capacity by 24,000t/year (nickel-based; by end of FY2024)

Construction of new Niihama Plant **mostly progressing as planned.**

Began installing facilities in main buildings in Aug. 2023.

- ◆ Continue examining production expansion in the next period

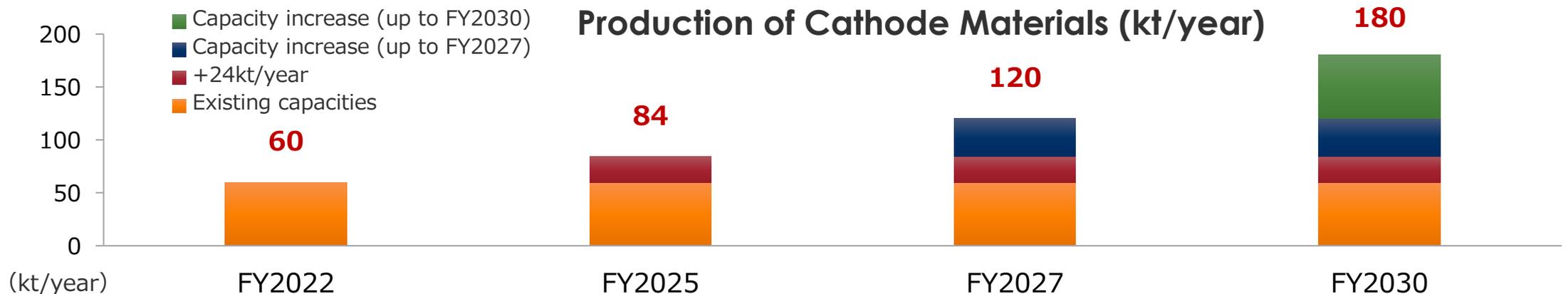
Growing demand for EV batteries will continue.

Continue examining the impact changes to laws and regulations incl. the US Inflation Reduction Act will have on business as well as continue internal discussions and discussions with customers on investing in production increase in the next period

(e.g., timing and location).



Photo taken in Sep. 2023

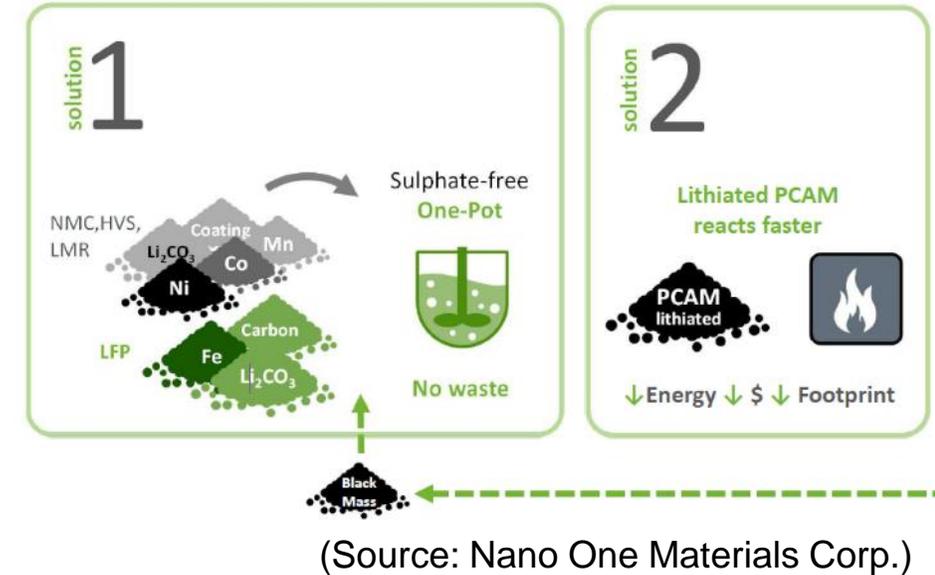


## 6. Progress in Strengthening Battery Materials (2)

### Develop new battery (cathode) material technology

#### ◆ Joint development with Nano One

- Made an investment in [Nano One](#) (British Columbia, Canada) in Oct. 2023 (approx. CAD16.9 million; shareholding ratio: about 5%).
- Nano One has **“One Pot” technology** that produce cathode materials in fewer processes than the current technology that combines many processes
- Aim to jointly develop low-cost and environmentally friendly manufacturing processes of LFP and nickel-based cathode materials



#### ◆ New manufacturing process of LFP (lithium iron phosphate) cathode material

- Continue developing technologies for a new manufacturing process of LFP cathode materials to raise productivity and lower cost.
- Opened small-scale trial facilities in Sep. 2023 at SMM’s Ome District Division.

# 7. Battery Material Business: Initiative to Strengthening Asset Efficiency

## Improvement activities in battery material business

Productivity improvement using Toyota production system

### ◆ Raise logistics/inventory management efficiency using real time data

- Inventory management became considerably complex as the number of bases grew due to a rapid production growth.

#### Measure: Use inventory management system

Use 2D codes/handheld terminals to instantly comprehend and make visible inventories of partner companies/logistics bases nationwide

#### Measure: Execute plans to bring inventories held at each location to an appropriate level

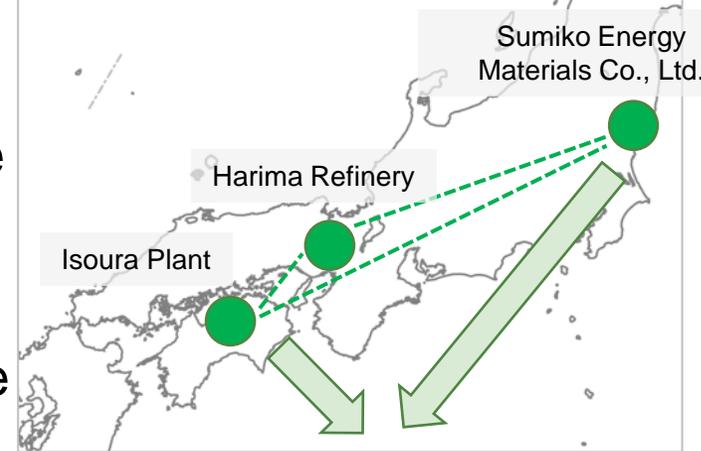
Each plant to control excess production and reduce lead time.  
Also, reduce waste and overstraining on site to raise productivity.

### ◆ Achieve both quality and efficient testing

#### Measure: Raise testing efficiency at each process incl. intermediate products

Refine conditions to produce good-quality products and raise process capabilities to reduce time for testing

Key battery material production bases in Japan



To customers' warehouses



## 8. Expansion of Advanced Materials Business (1)

### Full-scale recovery is not expected until FY2024 as the inventory adjustment phase continues

Despite the progress in the inventory adjustment of finished products such as smartphones and PCs, demand is weak.

Inventory adjustment for parts used in these products is continuing

→ Sales of SMM's core products are stagnant

The speed of the recovery in demand is slow; full-scale recovery is likely to take a while.

Continue working on cost reduction, productivity improvement, product development and so on to proactively capture any recovery in demand and to improve profit/loss status.



- Help the supply chain achieve carbon neutrality by developing and expanding sales of advanced materials that reduce GHG emissions
- Promote production improvement activities to raise competitiveness

## 8. Expansion of Advanced Materials Business (2)

### Development of low-carbon products

#### ◆ SiC (silicon carbide: Sicoxs Corporation)

- Manufactures bonded SiC substrate, [SiCkrest](#).
- Monocrystalline bonding technology enables supply volume increase with less energy used for manufacturing.
- 6-inch substrates are undergoing customer evaluations; some are on sale.
- Building a development line for 8-inch substrates. Plan to launch prototypes in 1Q FY2024.  
→ [Began licensing of bonding technology](#) to some customers to meet the demand to increase supply.



#### ◆ CWO<sup>®</sup> (near-infrared light absorbing material) “SOLAMENT™”

- Launched a material technology brand as differentiation strategy.  
(Go to: [X-MINING: SOLAMENT™, Sumitomo Metal Mining Co., Ltd.](#))
- Exhibited [featherless, transparent down jackets](#) at Japan Mobility Show 2023.
- Promoting entry to life science industry incl. apparel, agriculture and beauty care.  
→ Work with DESCENTE (ITOCHU Corp.), Mizuno Corp., AOKI Holdings, etc.



## 8. Expansion of Advanced Materials Business (3)

### Productivity improvement activities in powder material (paste) business

#### ◆ Initiative to achieve the world's top productivity

- Goal is to become “No. 1” not “only one” amid intensifying competition.
- Introduce Toyota production system to improve productivity.  
→ First, aim to have the world's shortest delivery time.



#### <Initiatives>

- Process review: From optimizing each process to optimizing the whole  
→ Change layout to reduce transportation and waiting time.  
Able to use the time saved to do other work.
- Advance setup preparations: Raise productivity through facility remodeling and automation  
→ In the process whose setup had been prepared in advance, new staff could instantly become a useful workforce and experienced staff could increase work speed by 1.5-2 times.

**Produce results securely through productivity improvement activities plus DX**

### Start the Pilot Test for Lithium Recovery from Salt Flat

-Its new technology has moved to the demonstration stage toward  
securement of lithium resources-

#### ◆ “Direct Lithium Extraction” (DLE)

- Utilizing manganese absorbent jointly developed by Sumitomo Metal Mining and the University of Kitakyushu
- This technology, lithium is absorbed directly onto the absorbent, eliminating the drying process. As a result, it is expected that this will shorten the recovering periods and reduce the environment impact by using less water resources and emitting less greenhouse gas

#### ◆ Test Overview

- The pilot plant will be installed in the Antofagasta region in the northern part of the Republic of Chile
- Our engineers dispatched to test recovering lithium from the brine of a salt flat in Latin America.
- Testing will begin by 2023, and the data obtained will be used to improve adsorbents and equipment.

# V. Supplementary Materials

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# 1. Supply Demand Trends (Copper and Nickel)

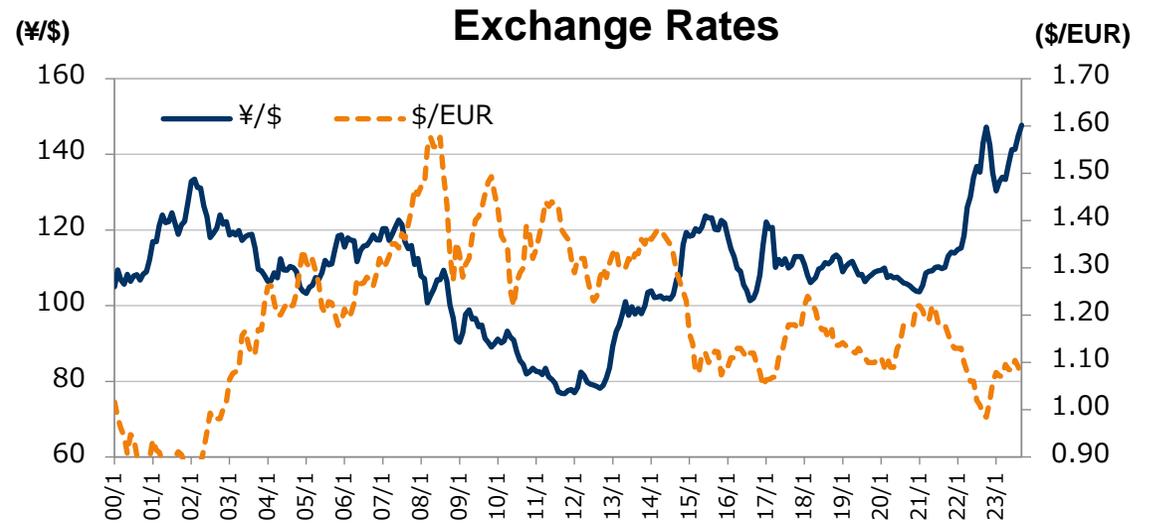
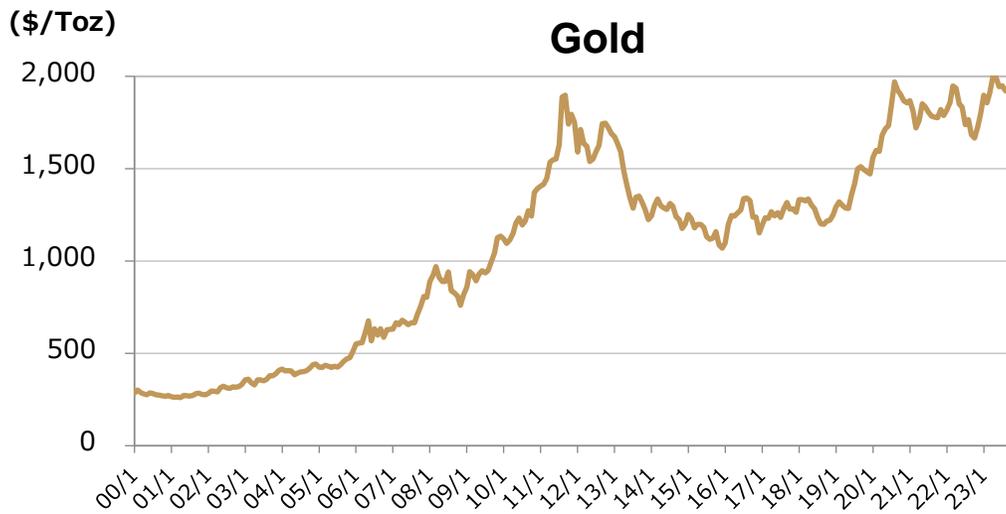
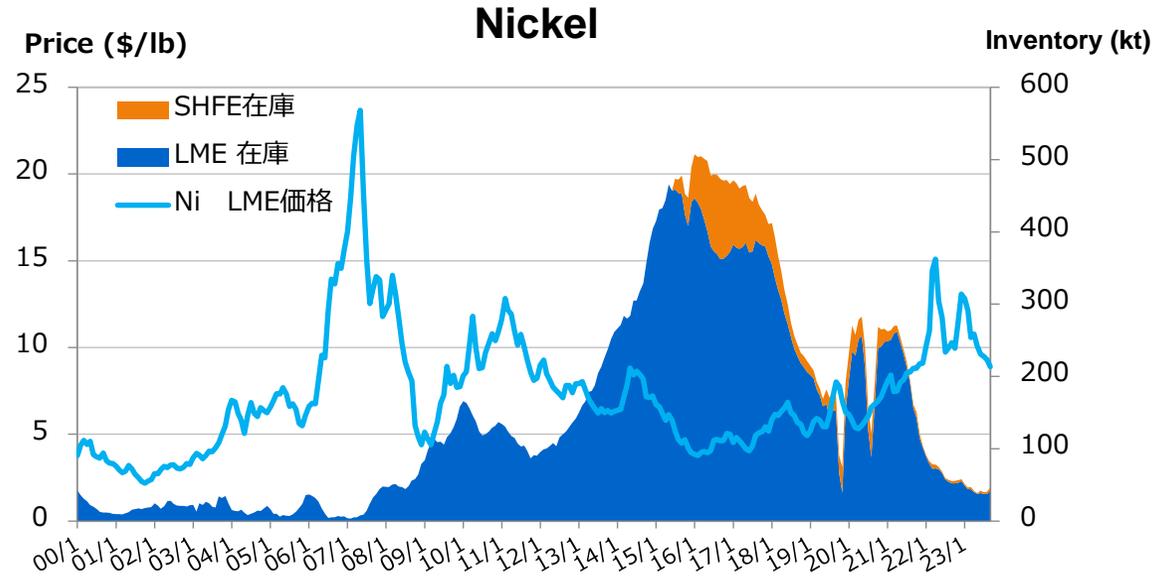
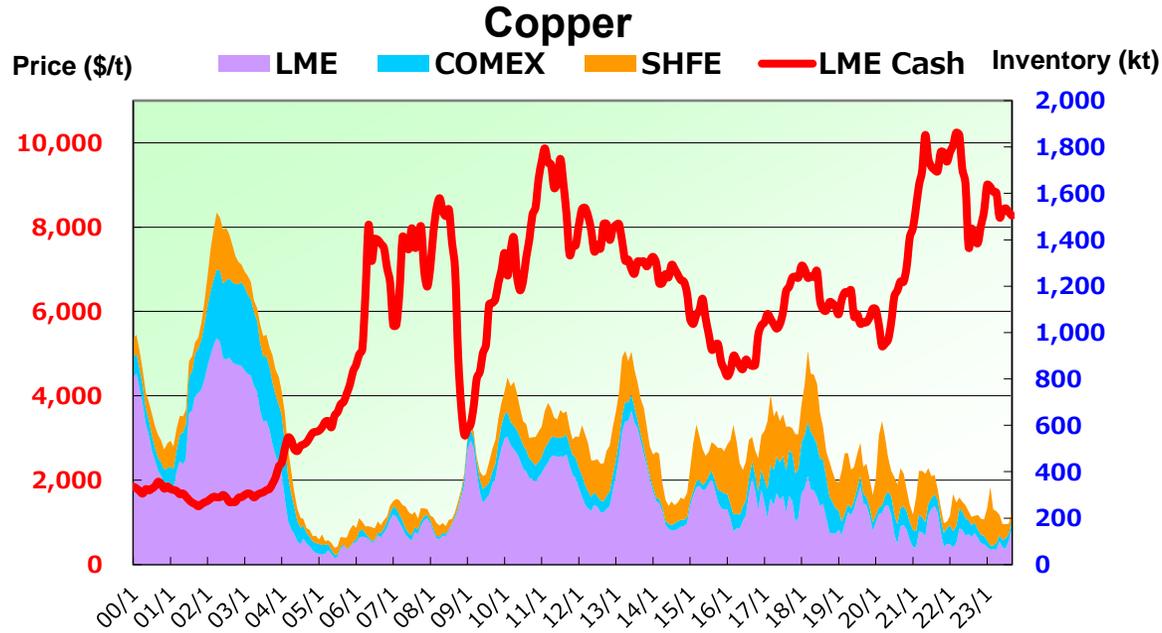
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## Nickel

	INSG Projection (Oct 2023)			SMM Projection (Sep. 2023)		
( kt)	2022 Forecast	2023 Forecast	2024 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Production	3,060	3,417	3,713	2,896	3,113	3,389
Usage	2,957	3,195	3,474	2,940	3,090	3,352
Balance	+104	+223	+239	-44	+24	+36

# 2. Non-ferrous Metal Prices and Exchange Rates



# 3. State of Business - Mineral Resources (1) Copper (Overseas Mines)

## Morenci Copper Mine (USA)

Interest ratios

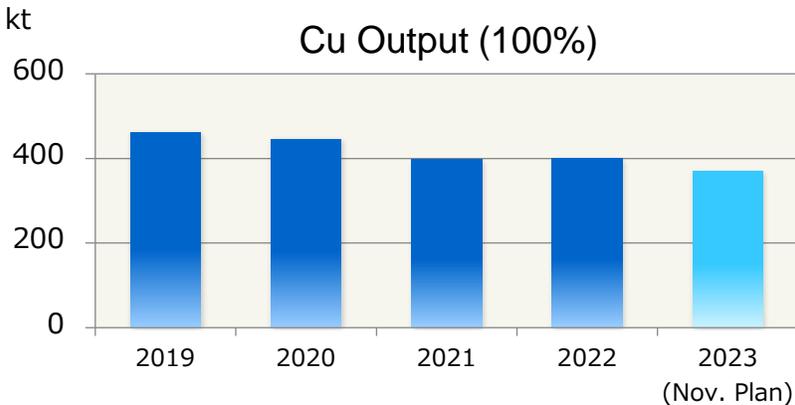
FCX	72%
SMM	25%
Sumitomo Corp.	3%



• Output:

FY2021	397 kt (actual)
FY2022	400 kt (actual)
FY2023	369 kt (plan)

Cu Output (100%)



## Cerro Verde Copper Mine (Peru)

Interest ratios

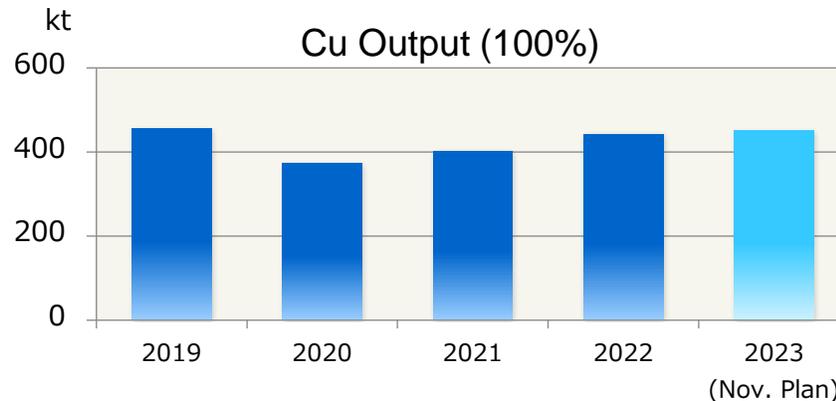
FCX	53.56%
SMM	16.80%
Sumitomo Corp.	4.20%
Others	25.44%



• Output:

FY2021	402 kt (actual)
FY2022	442 kt (actual)
FY2023	450 kt (plan)

Cu Output (100%)



## Candelaria Copper Mine (Chile)

Interest ratios

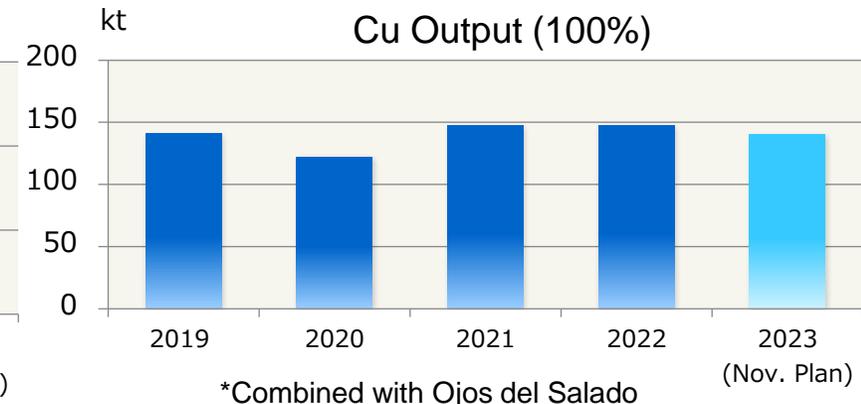
Lundin	80%
SMM	16%
Sumitomo Corp.	4%



• Output:

FY2021	146 kt (actual)
FY2022	147 kt (actual)
FY2023	140 kt (plan)

Cu Output (100%)

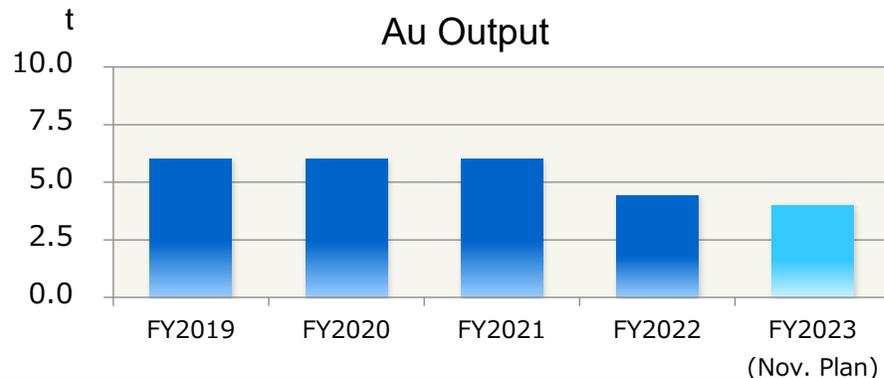


## Hishikari Mine (Kagoshima Pref.)

Interest ratio SMM 100%



- Continue sustainability-focused operation
- Mineable gold reserve as of the end of 2022: 155 tons (JIS Standard)
- Output in FY2023: 4.0 tons (plan)



## Côté Gold Mine Development Project (Canada)

Interest ratios  
 IAMGOLD Approx. 55.78%  
 SMM Approx. 36.72%  
 Others 7.50%

\*As of October 31, 2023

Acquisition price: USD195 million (approx. ¥21.5 billion)  
 Location: Ontario

- F/S completed in Nov. 2018
- Construction began in Aug. 2020
- Production scheduled to begin in Jan-Mar 2024



Mine life	18 years
Total gold output	205 tons
Mineable reserve	233 Mt
Mineable ore grade	0.96 g/t

(Source: SMM press release on July 21, 2020)

## Toyo Smelter & Refinery (Ehime Pref.)

### Electrolytic copper output

FY2021: 419 kt (actual)

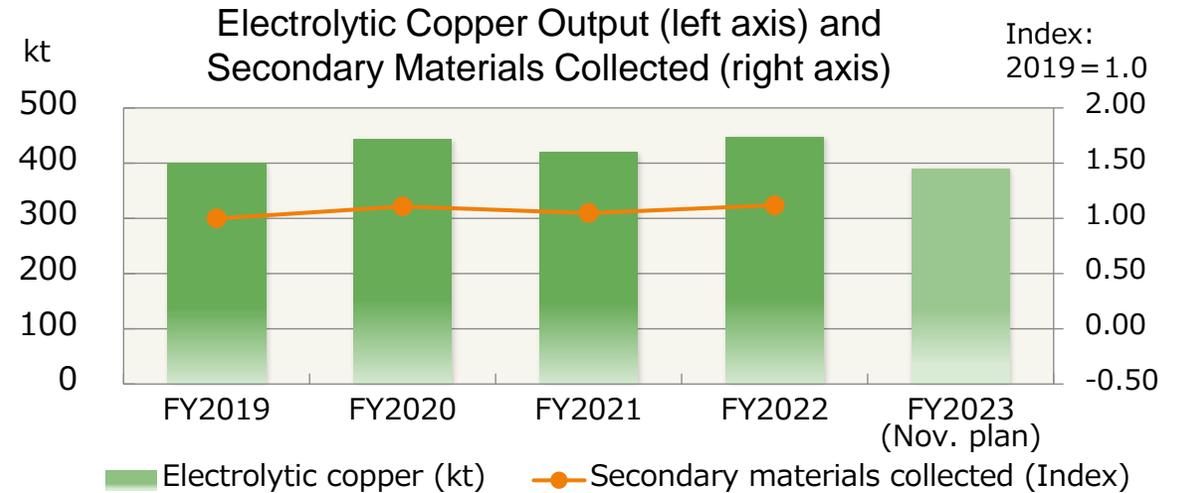
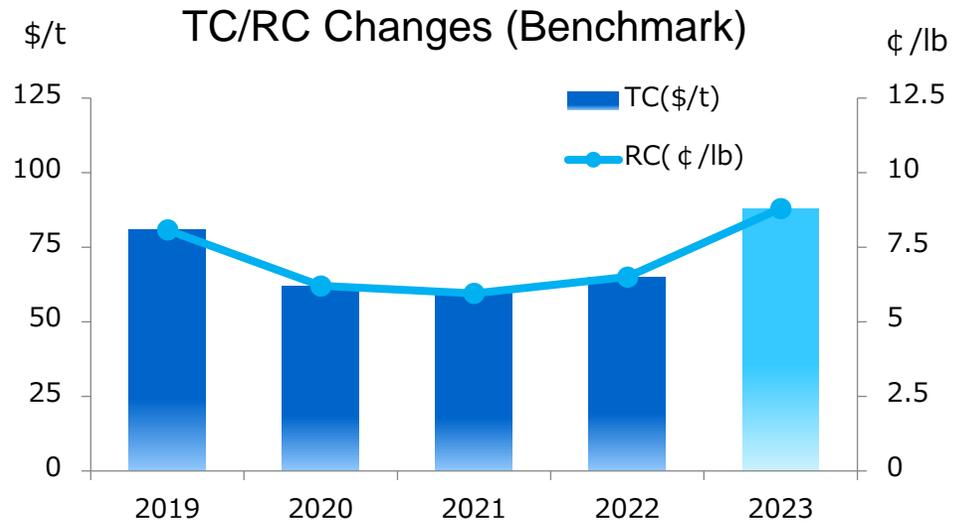
FY2022: 447 kt (actual)

FY2023: 390 kt (Nov. plan)

\*A large shutdown is scheduled in FY2023, first time in 12 years. During the shutdown, some facilities will undergo an energy switch and so on.



Toyo Smelter & Refinery



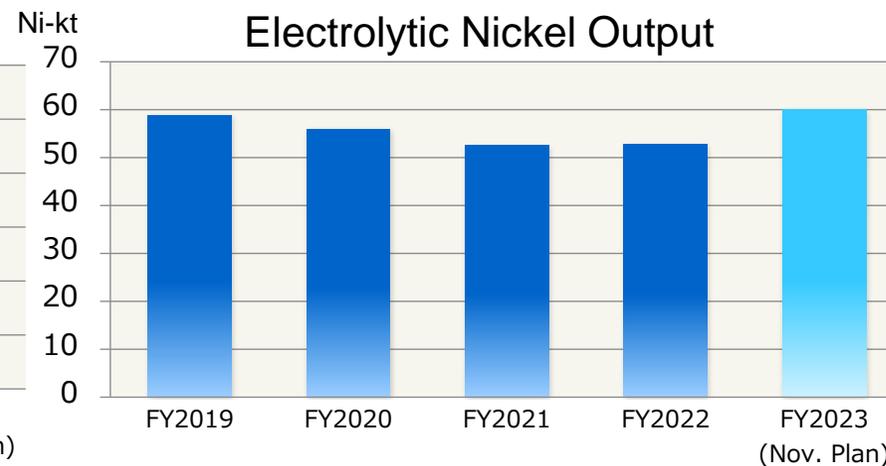
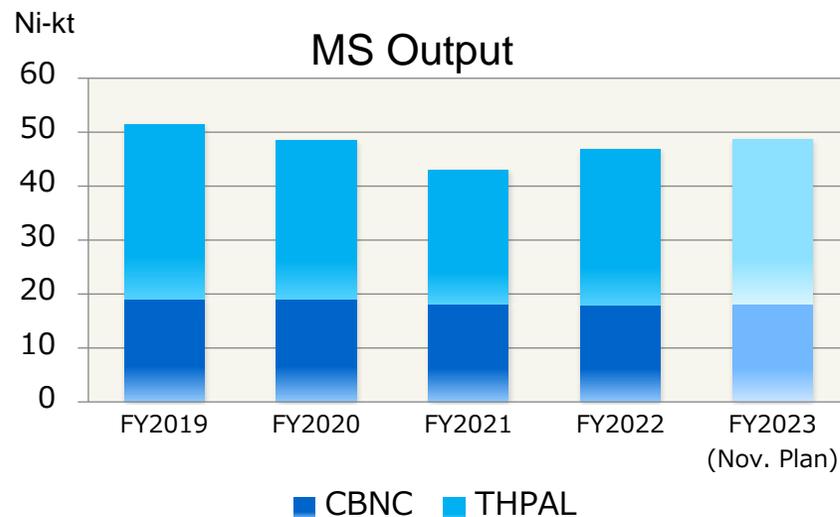
## CBNC (Philippines), THPAL (Philippines), Niihama Refinery (Ehime Pref.)

### Output

(Ni-kt)	FY2021 Actual	FY2022 Actual	FY2023 Nov. plan
CBNC	18.1	17.9	18.2
THPAL	24.8	28.9	30.5
Niihama Refinery	52.5	52.8	59.9



THPAL



**Maximizing HPAL by-product recovery**

Scandium oxide:  
Commercial production started in 2019.

Chromite:  
Sales started in FY2021.

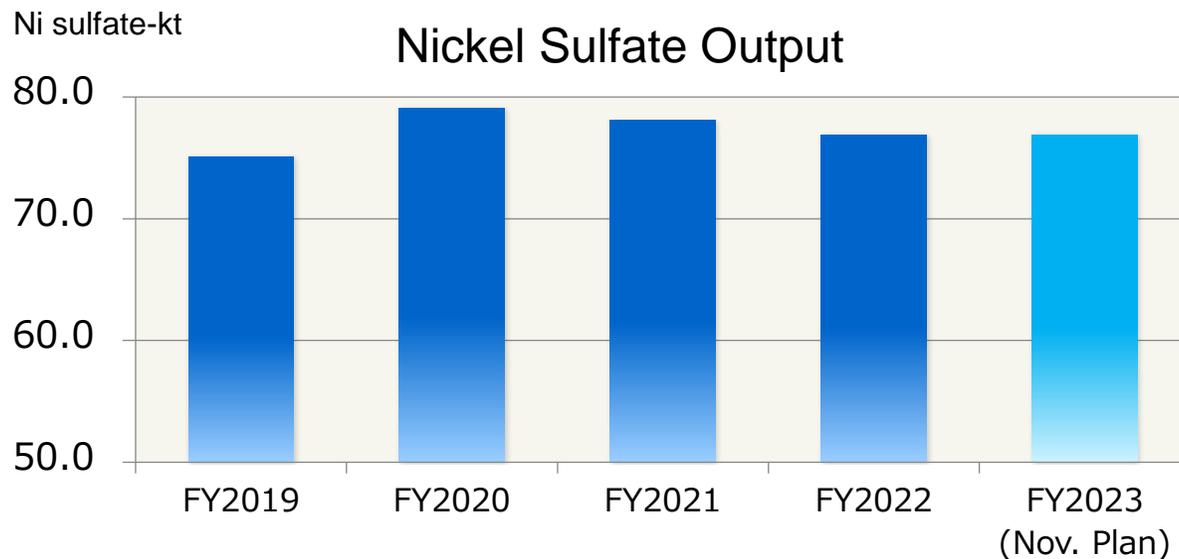
## Niihama Refinery (Ehime Pref.) and Harima Refinery (Hyogo Pref.)

Nickel sulfate output (total of Niihama and Harima)

FY2021: 78.1 kt (actual)

FY2022: 76.9 kt (actual)

FY2023: 76.9 kt (Nov. plan)



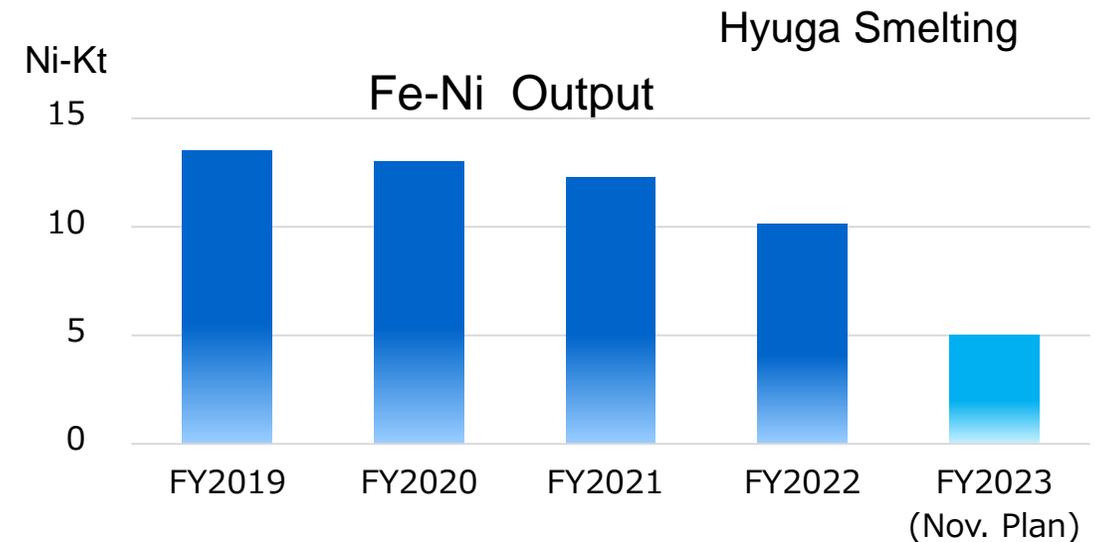
Harima Refinery

## Hyuga Smelting Co., Ltd. (Miyazaki Pref.)

### Output

FY2021: 12.3 Ni-kt (actual)  
 FY2022: 10.1 Ni-kt (actual)  
 FY2023: 5.0 Ni-kt (Nov. Plan)

- ◆ Making production adjustments, incl. temporary shutdown, based on the current business environment.
- ◆ Plan to take actions such as cost reduction, facility renewal, and GHG reduction during the shutdown.
- ◆ Organize a structure to take action promptly when the situation improves.



## Battery materials

Production remains strong as the EV-related market continues to perform well.

## Powder materials

Despite the progress in the inventory adjustment of smartphones, PCs, etc., inventory adjustment for parts used in these products continues.

Full-scale recovery in demand will likely be delayed to FY2024.

## Crystal materials

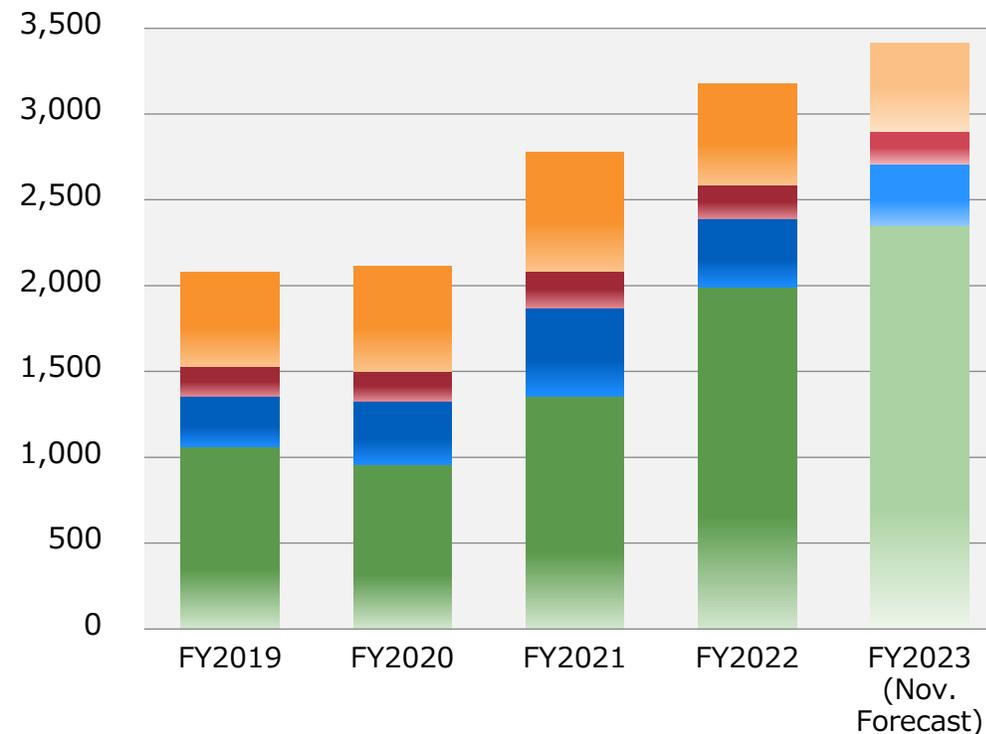
Despite the spread of 5G networks for smartphones, demand remains weak due to the lengthening of the upgrade cycle and the wider spread of reuse. This has led to the continued weak demand for SAW device.

## Package materials

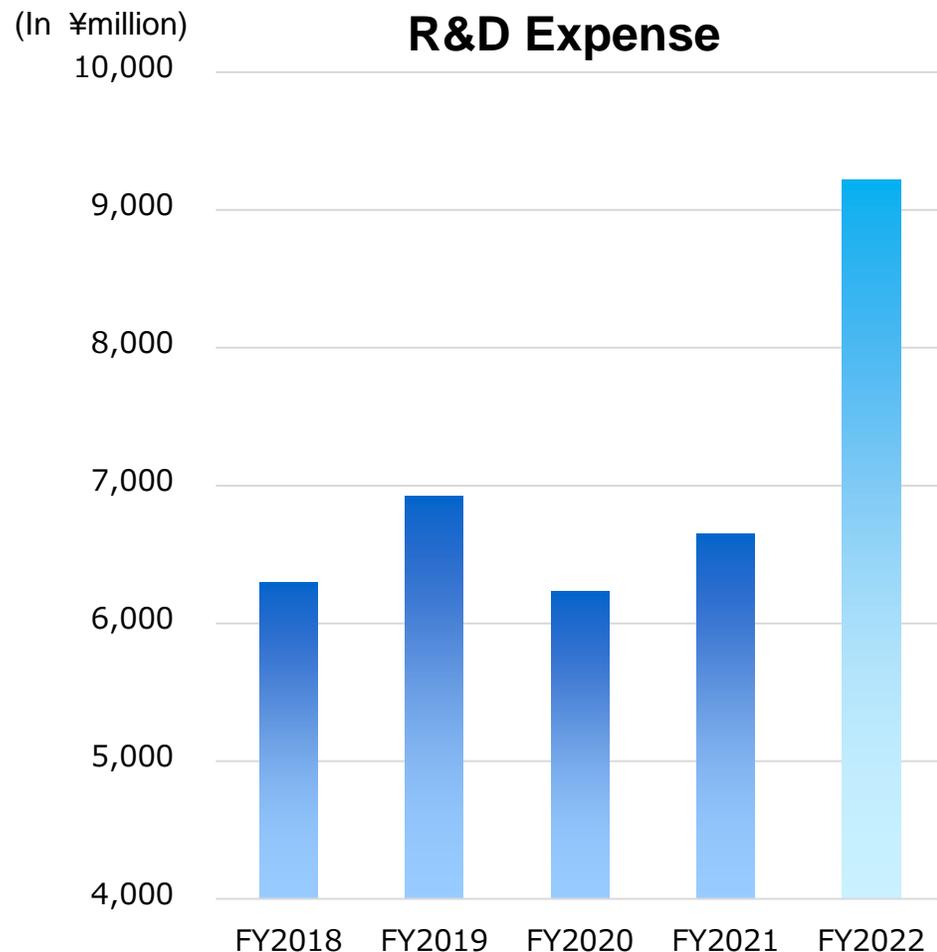
Although demand slowed in the display and monitor market as it had entered an adjustment phase in FY2022, there are signs of recovery toward FY2024 and beyond.

## Changes in Sales of Materials

(In ¥100 million)



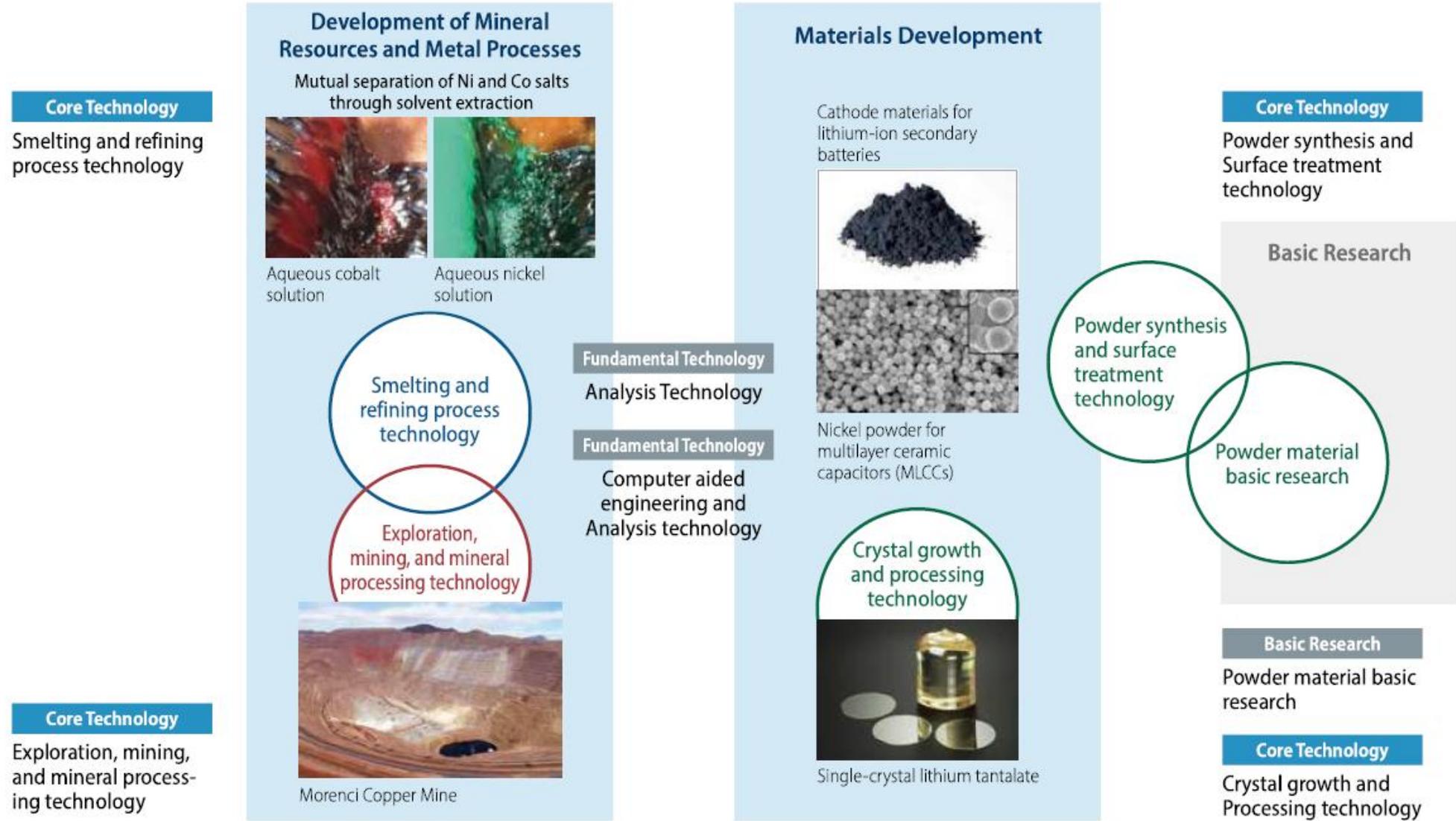
- Crystal, construction, etc.
- Package materials
- Powder materials
- Battery materials



### Promoting the development of products, technologies and processes that contribute to carbon neutrality

- ◆ Advanced materials (materials using hydrogen, future battery materials):  
Established the “SMM x Tohoku University GX Materials Science Co-creation Research Center.”
- ◆ Direct reduction of GHG emissions from existing processes
  - ✓ Reducing neutralizers, fixing CO<sub>2</sub>, using biomass reductants, etc.
- ◆ Direct reduction of GHG emissions from innovative smelting and refining process
  - ✓ Pursuit of a next-generation nickel smelting and refining process, use of hydrogen reduction technologies, etc.
- ◆ New projects to reduce carbon footprints
  - ✓ Battery recycling (Ni, Co, Cu, Li): Participation in a NEDO-subsidized project
  - ✓ Lithium refining (direct recovery from salt lake brine)
  - ✓ Development of cathode materials for all-solid batteries: Participation in a NEDO-subsidized project
  - ✓ Research on photocatalyst materials for artificial photosynthesis ( an industry-academia joint course on carbon dioxide with Kyoto University)

# 6. Status of Business-Research & Development (2) Areas/Fields



Focus on growth strategy fields, search for the *seeds* of next-generation business

## FY2022 Result

	Mineral Resources	Smelting & Refining	Materials (Battery material and Advanced material)
FY2022 Result	8.6%	12.0%	4.8%

※ Figures for "Materials" above do not include other than battery material and advanced material.

**【Reference : Trial Calculation in FY2024 under 21 3-Year Plan  
(ROCE standard during 21 3-Year Plan period: 5.5%) 】**

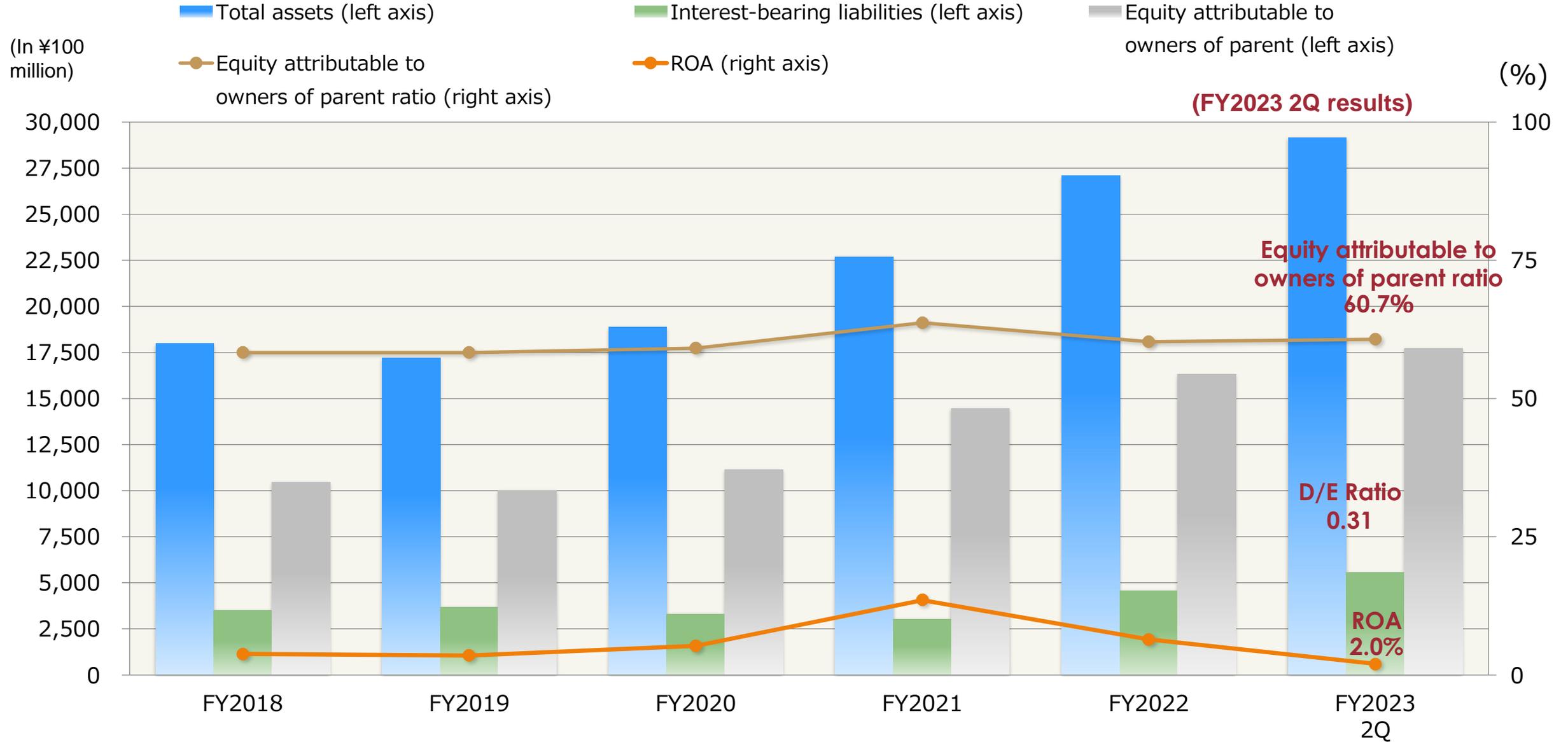
	Mineral Resources	Smelting & Refining	Materials	
21 3-Year Plan 2024	10.1%	4.5%	4.1%	
	Cu	Ni	Gold	Exchange rate (¥/\$)
21 3-Year Plan Assumed price for trial calculation	\$8,000/t	\$7.5/lb	\$1,600/toz	115

# 8. Changes in Business Results (FY2018 - FY2023 Forecast)

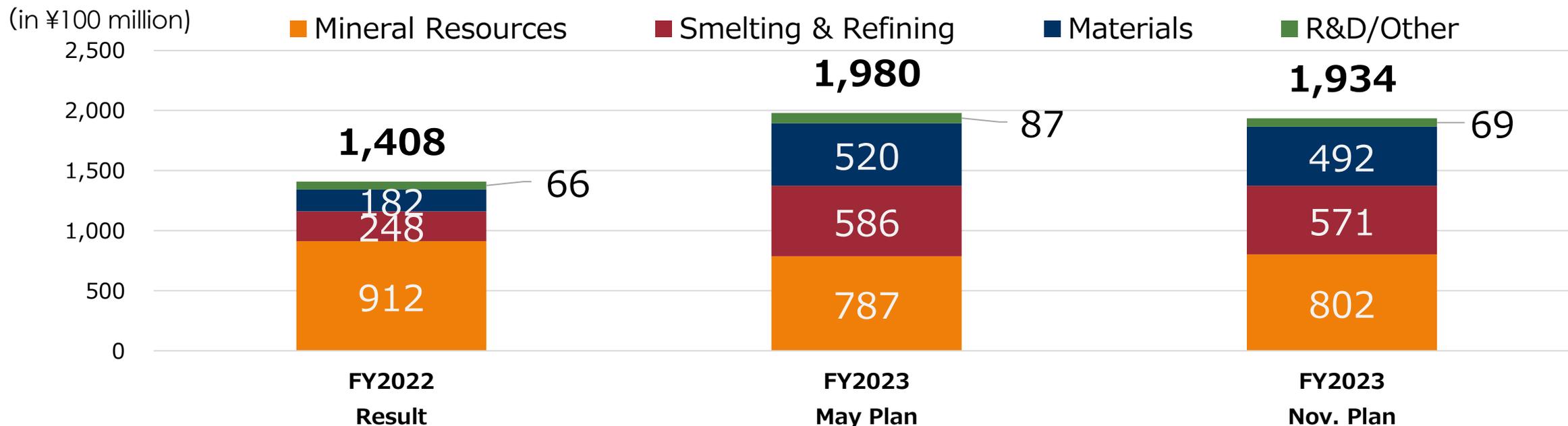
Data/Reference

(In ¥100 million)		FY2018	FY2019	FY2020	FY2021	FY2022	FY20233 (Nov. Plan)
Net sales		9,122	8,519	9,261	12,591	14,230	14,300
Gross profit		1,266	1,095	1,509	2,578	2,501	1,450
Profit / loss before tax		894	790	1,234	3,574	2,299	860
Equity method profit/loss		-49	62	87	575	365	365
Segment profit	Mineral Resources	473	379	631	2,085	764	590
	Smelting & Refining	409	482	530	1,148	1,179	380
	Materials	138	53	105	276	173	-40
	Other	-20	-9	-28	-9	-30	-30
	Diff. adjustment	-106	-115	-4	74	213	-40
Net income attributable to owners of parent		668	606	946	2,810	1,606	550
Copper (USD/t)		6,341	5,860	6,879	9,691	8,551	8,459
Nickel (USD/lb)		5.85	6.35	6.80	9.35	11.63	9.10
Gold (USD/toz)		1,263	1,462	1,824	1,818	1,805	1,902
Cobalt (USD/lb)		31.64	15.76	16.62	27.46	25.57	13.88
Exchange (JPY/\$)		110.92	108.74	106.07	112.39	135.48	140.50

# 9. Changes in Financial Position



# 10. Capital Investment, Investments and Financing



(in ¥100 million)

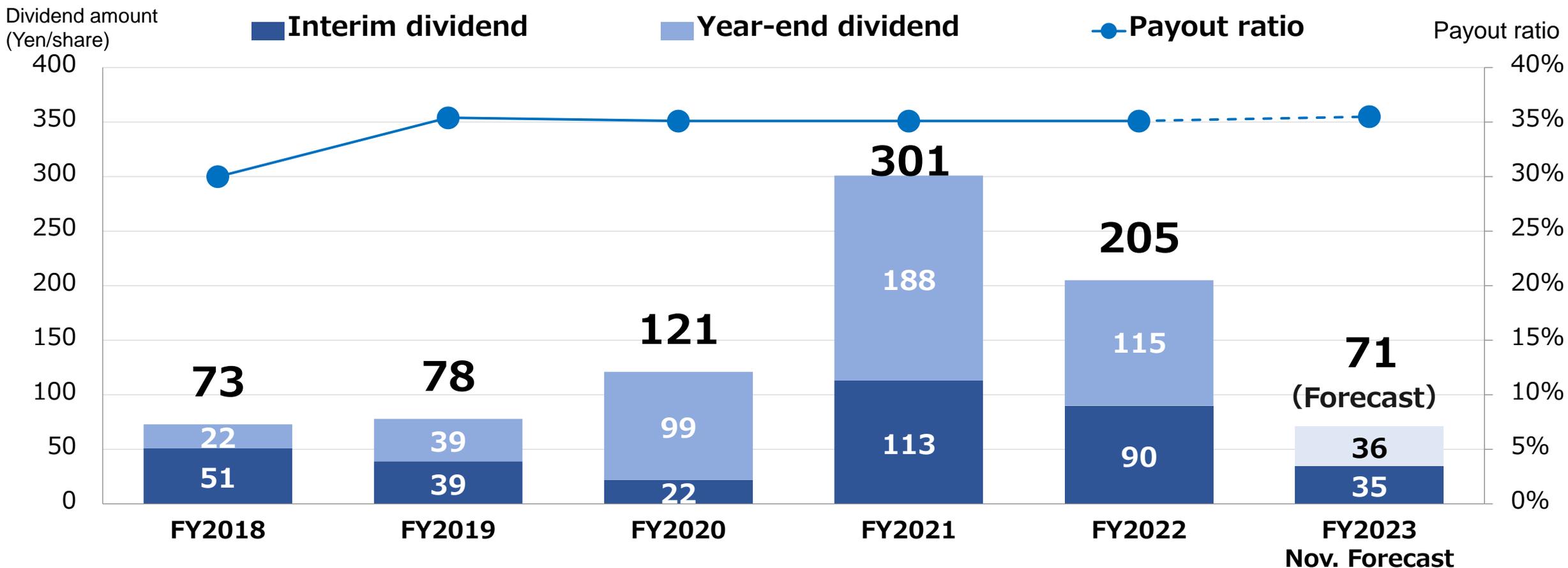
Investments and financing excl. capital investment	
FY2022 Result	1,017
FY2023 May Plan	960
FY2023 Nov. Plan	1,506

## Key Projects in FY2023 Nov. Plan

- Côte Gold Development Project ¥58.4bn (Total: USD 1,120mn)
  - Increased production of cathode materials for automotive batteries (Besshi District + Harima Refinery) ¥27.4bn (Total: ¥47.0bn)
  - Development of the lower ore body in Hishikari Mine (installation of new dewatering facilities): ¥0.3bn (Total: ¥3.9bn)
  - Fuel switch to LNG in Besshi District (\*) ¥0.5bn (Total: ¥1.9bn)
- \*Internal carbon pricing project

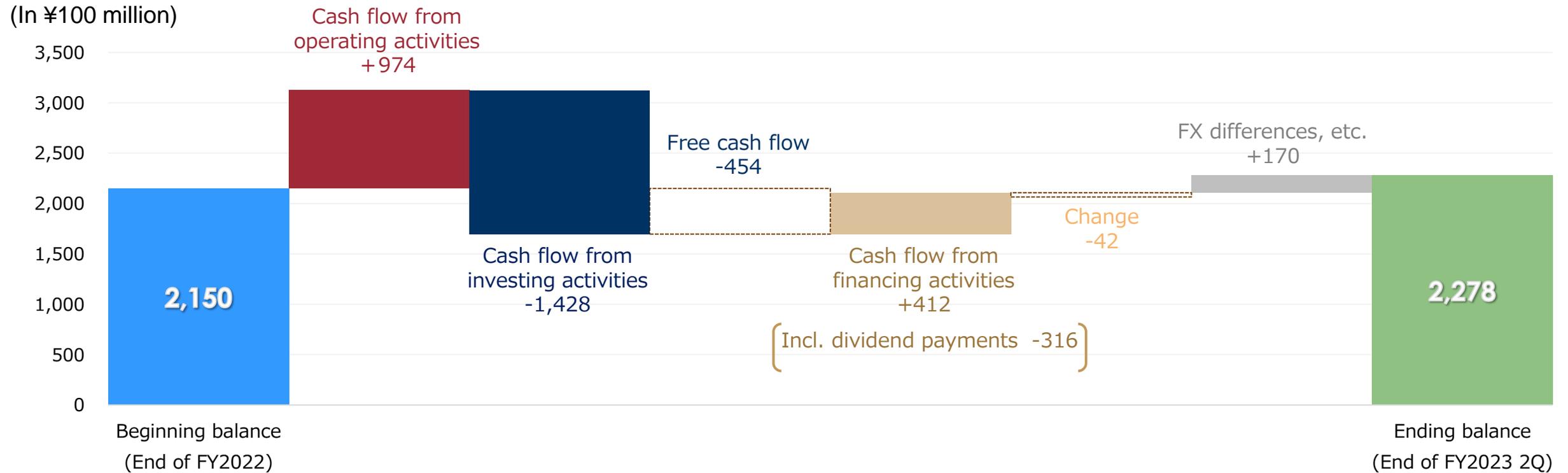
# 11. Shareholder Return (Dividend Forecast)

**<Period under 2021 3-year Plan>**  
**Annual dividend payout ratio: At least 35% (in principle)**



**Note:** The dividend payout ratio for FY2021 is calculated, excluding adjustments related to the transfer of Sierra Gorda.

# 12. Cash Flows (FY2023 2Q Results)



**Cash flow used in investing activities rose due to expenditures for growth strategy, which resulted in a negative free cash flow.**

**Maintain an appropriate level of liquidity in hand and continue promoting the growth strategy set out in the 3-Year Plan to prepare for further future growth investments.**

# 13. Sensitivity Estimation

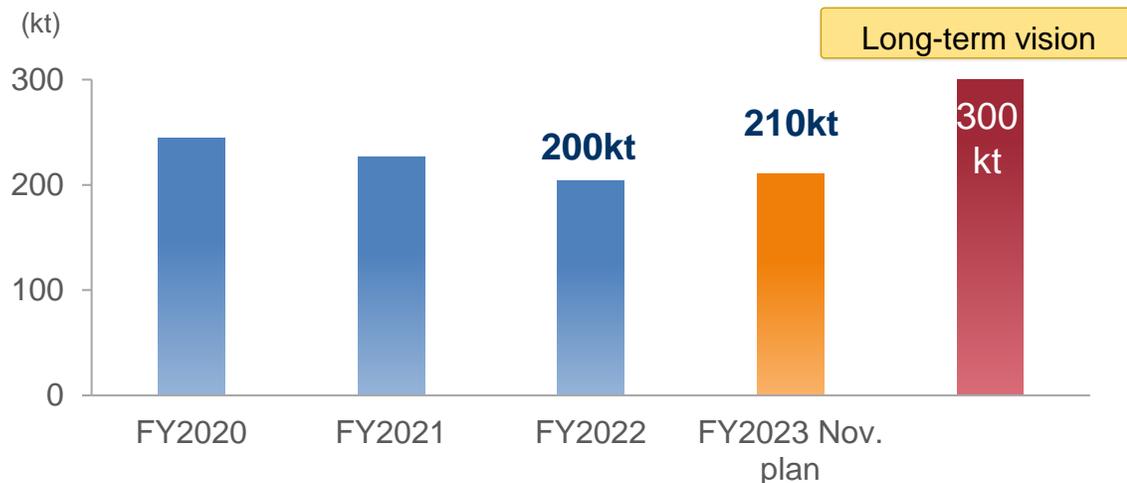
(Billions of yen)

Element	Fluctuation	FY2023 Profit before tax
Cu	±100\$/t	2.7
Ni	±10 ¢ /lb	1.5
Au	±10\$/toz	0.2
Exchange rate (Yen/USD)	±1 yen/USD	1.2

Note: The monetary value of the impact of exchange rate fluctuations provided above is the sum of the revenue from metal processing operations in Japan and FOREX differences in foreign operations. It does not include the impact of inventory valuation.

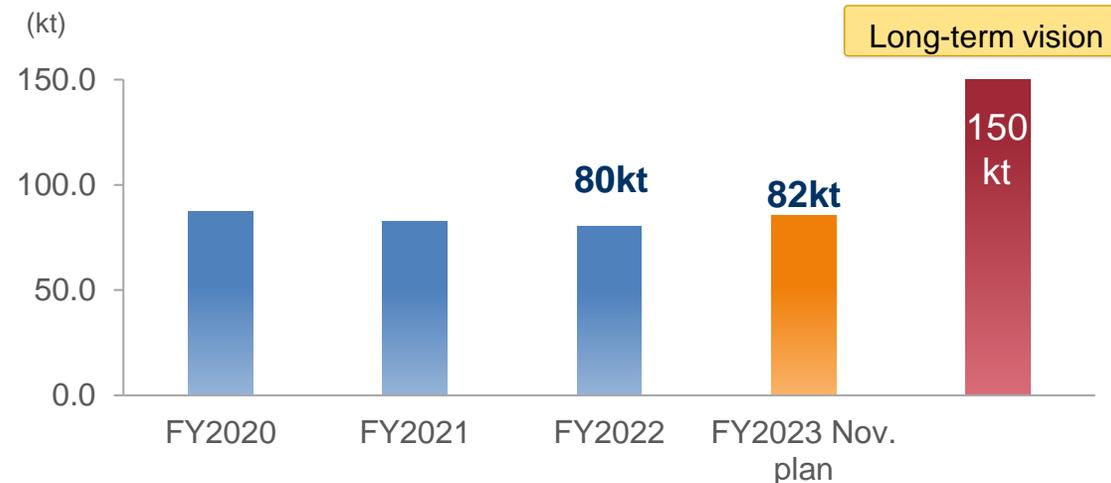
# 14. Long-term Vision Targets and Their Achievements

## Cu (Production from company mines)

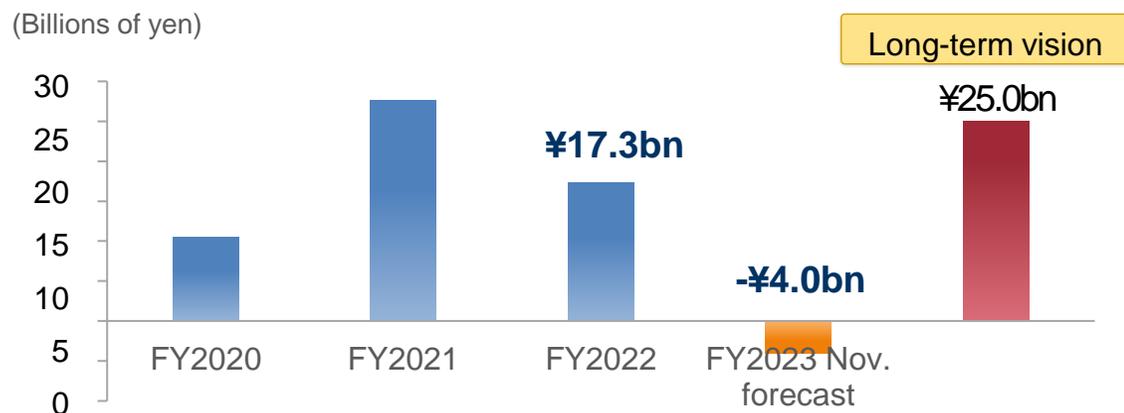


## Ni (Annual production volume)

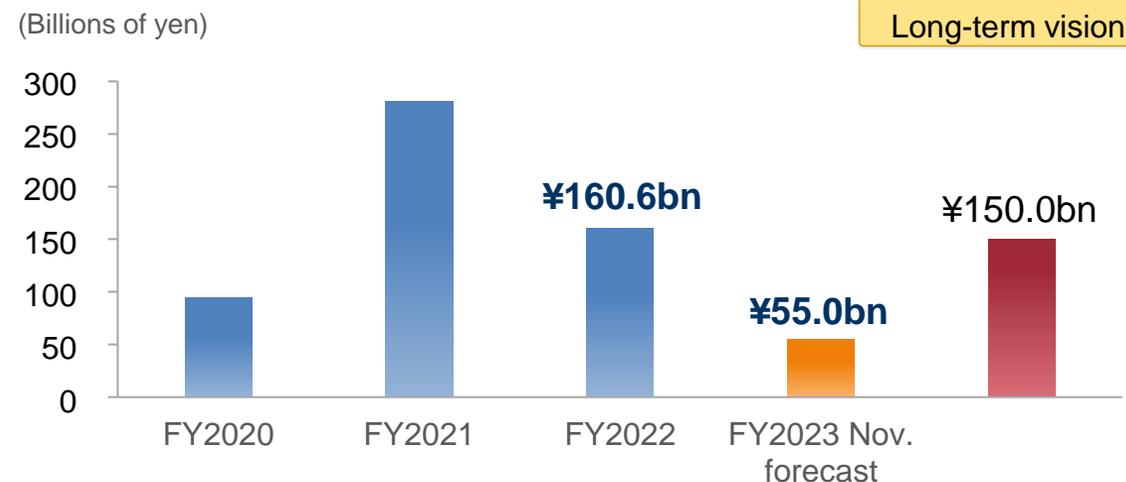
\*Long-term vision focuses on "production capacity"



## Materials Business (Segment profit)



## Net income (Attributable to owners of the parent)



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